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In The Matter Of

Amendment of the Commission's
Rules to Establish New Personal
Communications Services

) GEN Docket No. 90-314
) ET Docket No. 92-100

) RM-7140, RM-7175, RM-7617,
) RM-7618, RM-7760, RM-7782,
) RM-7860, RM-7977, RM-7978,
) RM-7979, RM-7980

) PP-35 through PP-40, PP-79
) through PP-85

COMMENTS OF

THE SOUTHERN NEW ENGLAND TELECOMMUNICATIONS CORPORATION

The Southern New England Telecommunications Corporation (SNET) respectfully submits the following Comments in response to the Notice of Proposed Rulemaking and Tentative Decision (NPRM) released by the Federal Communications Commission (Commission) on August 14, 1992.¹

The Southern New England Telecommunications Corporation is an independent telecommunications company with operating subsidiaries engaged principally in network services, cellular mobile radio and paging services, communications equipment and information management systems. Through its telephone subsidiary, The Southern New England Telephone Company, the corporation provides local

¹ In the Matter of Amendment of the Commission's Rules to Establish New Personal Communications Services, GEN Docket No. 90-314, ET Docket No. 92-100, adopted July 16, 1992, released August 14, 1992 ("NPRM").

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exchange and toll services for over 1.8 million access lines within the State of Connecticut.

I. Introduction

Through its NPRM the Commission is taking an important step in bringing the family of Personal Communications Services (PCS) to the public. The Commission seeks comprehensive comment on how to structure the regulatory treatment of PCS, including possible spectrum allocation and licensing schemes.

SNET concurs with the Commission that PCS will have a great impact on the future development and configuration of all telecommunications networks and that PCS applications should create both new markets and competition for the first time in others.

Today's telecommunications environment is characterized by change. Market demand is changing in response to the needs of fast paced life-styles. Technology advancement continues at a rapid pace with increasing public accessibility and acceptance of new technologies. Competition in the telecommunications industry, from both traditional and non-traditional participants, has begun and continues to increase. For telecommunications services in general, and PCS in particular, genuine and fair competition will benefit the public by promoting rapid development of varied, flexible services at reasonable prices. SNET envisions a PCS market place that is open and competitive where all customers will be able to negotiate with multiple service providers to obtain the best rate and service possibilities, and have the opportunity to access the services as transparently as possible. In such an environment, market forces will act to determine the optimum characteristics of the service, e.g., number of service providers and pricing. This view is in line with the Commission's "faith in competitive markets and service flexibility as the best path to provide greater choice and low prices for consumers."²

In the envisioned PCS competitive market place there will be rules by which the participants must abide. It is essential, however, that the Commission not structure

² NPRM at para. 2

rules that favor some providers over others. Rather it should establish a level playing field. Rules must be consistently applied to all if the full benefits of PCS are to be achieved. The three characteristics of today's telecommunications environment -- increasing competition, rapidly evolving technology and changing market demand -- will bring the maximum benefits to customers and to the economy when they are coupled with policies that allow competitive markets to function freely and fairly.

Clearly, the potential widespread deployment of tetherless PCS technology, and importantly, timely Commission action governing its deployment in this country, will have a significant impact on the structure of the telecommunications industry.

II. Limiting Eligibility For PCS Licenses Is Not In The Public Interest

The Commission, in its NPRM, clearly indicates that, over time, PCS may become a full fledged competitor to wireline services, and envisions new services challenging traditional cellular mobile services.³ Recognizing the goal of broad and fair competition, SNET strongly urges the Commission to adopt open eligibility for PCS providers including Local Exchange Carrier (LEC), cellular, and paging providers at both the 900 MHz and 2GHz spectrum ranges.

Beyond providing LECs with competitive capabilities to service customers on the move, radio technology can be a natural extension of LECs' existing distribution networks providing a favorable economic deployment alternative in the local loop for more traditional services. The implementation of loop radio links could lessen the need for wiring individual customer locations and enhance service provisioning. Under its service franchise, SNET is obligated to provide exchange services and public telephone services in Connecticut. Having the capabilities to deploy this technology is necessary to meet that obligation in a cost efficient and effective manner, as well as to enhance current service offerings, including advanced public payphone services.

The Commission should not bar LECs from obtaining licenses for PCS spectrum within their service areas. The concern raised by the Commission that LECs may have

³ Excerpts at para. 70 and para. 71.

an incentive to discriminate against competitors requesting interconnection or to cross-subsidize PCS with funds from rate-regulated wireline customers,⁴ is without merit.

The interconnection of PCS offers significant opportunities for LECs to provide advanced network capabilities and functionalities for new services. The provision of these to multiple PCS providers is in the interest of LECs. Certainly, the Commission could impose non-discrimination safeguards on LEC providers of PCS as a safeguard to protect other PCS providers from LECs favoring the wireline provider, but such restrictions already exist and more are hardly necessary when it is in the interest of LECs to increase utilization of their advanced network infrastructure.

Further, the Commission correctly notes that allowing LECs to provide service within their serving areas will foster "PCS friendly" access for PCS providers. The Commission should not limit LECs access to PCS spectrum and should not provide less spectrum for LECs than other providers. Limiting LECs access to spectrum on an arbitrary basis serves no useful purpose. It simply limits LECs from being full competitors and hampers the very competition that the Commission seeks to establish.

The Commission proposes to allow cellular providers to obtain PCS spectrum licenses outside of their cellular service areas, but seeks comment on whether they should also be allowed to obtain PCS spectrum within their cellular service areas.⁵ SNET strongly supports the licensing of PCS spectrum to cellular providers both within and outside of their service areas. Limiting cellular eligibility would frustrate the important public interest in robust competition.

Arguments that incumbent cellular operators would limit entry of competitors by acquiring licenses in their serving areas are without merit. The Commission could easily discourage such behavior by limiting the number of licenses for PCS spectrum that any particular provider could have to one per service area. Since the Commission has proposed at least three PCS providers per service area, and SNET believes the consensus of the commentators will likely support as many as five, there would be no

⁴ NPRM at para. 72.

⁵ NPRM at para. 67.

incentive for cellular providers to obtain spectrum unless they intended to vigorously compete for a share of the PCS market.

The Commission duly notes that the provision of PCS licenses by a cellular operator within their service areas may lead to greater production of efficiencies.⁶ SNET agrees. Both the Commission's interest in bringing PCS to the public in a timely fashion and the public's benefit in obtaining reasonably priced access to the new technology are served by allowing cellular providers to obtain PCS spectrum within their service areas. Cellular providers, because of their experience in the provision of wireless services, are natural candidates for providing PCS. The public stands to benefit from such providers since their lower unit costs will be reflected in lower prices in a competitive market.

Should the Commission find the arguments for the licensing of spectrum to cellular providers to provide PCS in their service areas unpersuasive, it would not be appropriate to bar participation in the PCS marketplace by firms affiliated with a cellular operator. Such an approach would defeat the Commission's objective for full competition. Many of the firms that have cellular affiliations are the very firms that have the resources and skills to provide the wide array of PCS applications that are in the public interest.

Since the Commission's purpose is to bring PCS to the public expeditiously and with the least amount of delay, it should not preclude any qualified provider from obtaining spectrum either within or outside its service area. Further, in the case of LECs and cellular providers, the Commission should not arbitrarily limit a spectrum allocation to less than that allowed for other providers.

III. The Commission Should Not Restrict LECs Access To New Service Capabilities And Technologies

PCS and wireless technology are part of the continuing evolution of service capabilities and technologies that support significant advancements in the

⁶ NPRM at para. 66.

telecommunications industry. SNET believes that the public interest and consumers' needs will be best served where LECs actively participate in the provision of PCS. The Commission has not, in the past, nor should it in the future, deny LECs access to critical technologies and service capabilities. As previously noted⁷, SNET fully supports the Commission's tentative conclusion that "there is a strong case for allowing LECs to provide PCS within their respective service areas."⁸

The Commission's goal to promote competition in PCS and in telecommunications in general⁹ is best fostered by encouraging all industry participants to exploit the benefits of new technologies for the benefit of the consumer. A critical framework for the Commission's goal must recognize that LECs play a unique and beneficial role in serving the public. The Commission should not restrict LECs access to PCS capabilities and technology, but should facilitate LEC participation by making spectrum available for wireline purposes.

IV. Five Service Providers Will Insure A Vigorous Competitive Marketplace For PCS

SNET believes that diversity of services, innovation and value to customer markets would be supported by multiple licensed competitors and also through the provisioning of unlicensed services.

SNET agrees that the Commission's tentative conclusion of three service providers per market would be beneficial.¹⁰ SNET believes, however, that the public interest would be better served if the Commission licenses five PCS providers per

⁷ As SNET stated on page 4 of its Comments in Docket 90-314, dated October 1, 1990: "SNET believes that public policy should put renewed focus on the public switched telecommunications network as the vehicle for bringing new services and technology to the public, including personal communications service." Further, in SNET's April 9, 1990 Docket No. 91296-9296 Comments to the National Telecommunications and Information Administration, on page ii, SNET stated: "National public policy should concentrate on the public switched network as a vehicle for providing universal access to information age services."

⁸ NPRM at para. 75.

⁹ NPRM at para. 12.

¹⁰ NPRM at para. 34.

service area. The two additional licensees would support the Commission's goals to provision the broadest range of PCS services at the lowest cost to consumers.

Beyond licensed providers, SNET strongly supports the allocation of spectrum for the open, unlicensed provision of certain PCS services such as advanced residential services, wireless PBX and centrex, and data services. We concur with the FCC that considerable merit exists for these services providing wireless applications in "the home" or at "the office."

V. The Public Interest Is Best Served By Having Many PCS Service Areas

SNET strongly disagrees with the Commission's tentative conclusion that PCS service areas should be larger than those initially licensed by cellular providers.¹¹ SNET believes that the public would be best served by smaller areas, allowing for greater participation by more companies and increased competition. Since the Commission cannot predict the nature or type of services that may evolve, additional providers would facilitate deployment of niche services that may not otherwise be provided.

SNET supports the use of 734 MSA/RSA markets which were used to establish cellular service. SNET believes that a building block approach should be used starting with the MSA/RSAs. Market forces would force a gradual consolidation of service areas that would best serve the public. SNET does not support provision of PCS by national providers in that the nature of PCS lends itself to a series of small networks and full spectrum utilization.

Both interoperability and interconnection will support the licensing of smaller market areas, and at the same time provide for broader coverage requirements. Interoperability between various PCS providers and unlicensed offerings is necessary to facilitate seamless and ease-of-use services. Common air interface and standards should be developed in established industry ANSI-accredited bodies. Beyond interoperability, interconnection with the local exchange carrier networks under equal

¹¹ NPRM at para. 60.

terms can facilitate geographically broader service offerings. In this regard, local exchange carriers should work with industry bodies to develop useful, nationwide standard access arrangements, recognizing that differing arrangements may be necessary for various PCS carriers.

VI. The Commission Should Seek Uniformity In Carrier Designation
Recognizing PCS' Competitive Framework And Need For Resale.

The Commission has indicated that one of the most important issues presented by the introduction of PCS is the regulatory classification of those who will provide PCS. The Commission went further, concluding that PCS should be subject to minimal regulation and indicated that the test for a private land mobile service designation is that the licensee not resell interconnected telephone service for a profit.¹²

SNET concurs with the Commission's expectation that PCS will be a highly competitive industry driven by multiple providers. SNET also believes that providers will encompass carriers and intermediaries providing a wide array of offerings to accommodate targeted niche groups of customers as well as broad markets. This highly competitive framework and diverse service provisioning suggests little, if any need, for regulation.

SNET believes that the ability of providers to resell interconnected telephone service for a profit is critical to the successful development and provisioning of PCS. Interconnection of wireless and wireline networks to accommodate broader geographic coverage, customer "ease of use", and network functionality including the ability to locate and validate customers on a real time basis is necessary. Giving service providers the ability to select, bundle and resell these network based services to efficiently, as well as cost effectively, meet customer needs is in the public's interest.

As the Commission looks to designate a regulatory framework to "govern" PCS, SNET believes that the Commission should classify providers uniformly. It is important, as noted by Cellular Telephone Industry Association (CTIA), that a uniform framework

¹² NPRM at para. 94 and para. 95

be applied to all wireless providers.¹³ SNET agrees with CTIA that the Commission needs to address the more general question of functionally identical private and common carrier mobile telecommunications services in light of various waivers and rule changes that have blurred the distinction between the two classifications.¹⁴ SNET believes that the Commission must treat all PCS providers equally. If the marketplace is to be the final arbiter of how and to what degree PCS is deployed, PCS providers must be similarly situated to insure full and fair competition.

VII. Cellular Rules Should Be Liberalized

SNET believes that cellular service rules should be further liberalized to allow cellular firms to make better use of their existing frequencies. SNET agrees with the Commission's proposal that Section 22.930 of the rules be revised to state explicitly that cellular licensees may provide PCS-type services, such as wireless PBX, data transmission and telepoint services.¹⁵ SNET believes it is important in a competitive marketplace to give service providers the flexibility to compete, to accommodate access to technology and capacity (spectrum), and the ability to develop and offer new services.

VIII. Conclusion

SNET supports the Commission's efforts to foster a procompetitive approach to the provision of PCS services. Toward that end, SNET believes it is essential to establish a level playing field where no provider is ever favored over another.

The Commission should establish rules that promote effective competition by allowing open eligibility for the provision of PCS. SNET believes that LECs should not be barred from obtaining licenses for PCS spectrum within their service areas even where they have cellular affiliates.

¹³ Comments of Cellular Telephone Industry Association, In The Matter Of Amendment of the Commission's Rules to Authorize Cellular Carrier to Offer Auxiliary and Non-Common Carrier Services, RM-7823, November 12, 1991, at p. 2.

¹⁴ ibid.

¹⁵ NPRM at para. 70.

SNET urges the Commission to allow five providers per market and to provide for 734 MSA/RSA markets. Such an approach furthers the public interest by facilitating participation by more companies.

Finally, SNET believes that the Commission's proposal to liberalize the Section 22.930 rules to allow cellular licensees to provide PCS-type services supports the Commission's goal of fostering a truly competitive marketplace for PCS.

Respectfully Submitted,

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CERTIFICATE OF SERVICE

I, Melanie Raycroft, hereby certify that a copy of the foregoing SNET Comments on Gen Docket No. 90-314, ET Docket No. 92-100 was sent by first-class mail, postage prepaid, on this the 9th day of November, 1992, to the below-listed parties:


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